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# INTEGRATING SUPPLIER SATISFACTION WITH CUSTOMER SATISFACTION IN THE PROJECTION AND IMPLEMENTATION OF THE TQM SYSTEM IN MACEDONIAN COMPANIES

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## Abstract

The management of suppliers is an important aspect of TQM (Total Quality Management) philosophy. Providing the materials and spare parts for the companies is often the main source of problems for the quality of products. When building partnerships between companies and suppliers for each activity, there must be criteria for both assessing good results for specific and complicated things, specific solutions, or specific requirements. New world trends impose new manner of thinking, working and adjusting within the new flows of the market economy that are consumer-oriented.

This paper is an analysis of the situation in Macedonia's 151 companies in terms of the way the company managed effectively and efficiently the suppliers and raw materials and the way it had built business relationships. This paper provides an analysis for gathering data regarding the contentment of the consumers upon the quality of products/ services. Also, it should point out the measures that need to be taken by the companies in order to improve their contentment. As for the results that have been received from the research, the need of integrating supplier satisfaction with customer satisfaction in the projection and implementation of the TQM (Total Quality Management) system in Macedonian companies is being imposed.

**Keywords:** management with suppliers, market economy, measuring, customer contentment, quality, TQM system.

## 1. Introduction

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Global competitiveness in the world imposes a strong race in the economic progress and new values of civilization between the Far East led by China, on the other side is America and Europe - which lost its leadership. Political turmoil in Europe is not ordinary caprices, but more often a consequence of frequently asked question: Where is the European business going? The answer is changes in technology and production, in total quality management in acquiring knowledge and skills for knowledge based development.

Introducing a total quality management (TQM) system should help companies overcome their problems, because according to the requirements of ISO 9001: 2008, not only have to work in a different way but to think in a different way too. It means, reengineering in the companies, a radically new way of thinking and working to improve management of resources, suppliers, equipment (Shiba and Walden, 2002).

## **2. Literature Review**

For many companies the management of suppliers is the first step towards TQM (Total Quality Management), because it will allow the upgrade to ISO 9001:2008 standard with the TQM strategy by improving the quality of organizational processes in terms of: not only the defining, improvement and designing of the process, but also improving productivity and optimizing costs through using quality input materials and building partnerships with suppliers (Genna, 1997; Mitreva, 2009; Koc, 2007).

In order for the quality system is effective and efficient the suppliers are important as a key link in the design and implementation of TQM system (Besterfield, 1994; Wong and Fung, 1999). The procurement of input materials is one of the most important activities for ensuring quality, because the cost of input materials constitutes 50-70% of product cost and quality of incoming materials in large part determines the quality of the finished product (Kanji and Wong 1999). Daily practice of suppliers should not only be the offer a quality product that meets the needs of the client, but they must be more involved in the process of product design and the production process of the client. They need to act preemptively, to be responsible, to correct their mistakes and to amount to any problem relating to the quality that they discover (Nair and Boulton, 2008; Svensson, 2006).

New quality approach demands new activities in the field of education of the employees, implementation of standardization to all processes, introduction of a statistical process control for flawless working, new approach within the analyzes of costs, etc (Mitreva 2010). All of the aforementioned require a scientific, methodological and well-planned approach, as well as persistency and systematical work. At the same time, it the notice a drastic change in the employees' behavior, radical changes within the organizational settlement, clear defining of rights, obligations and responsibilities of each individual and complete orienting towards the desires and necessities of the buyers/ consumers (Feigenbaum, 2002; Wong, 2000).

What exactly the organization performs in order to fulfill the consumers' desires?

Marketing is one of the basic concepts of TQM, and has a special role as a key chain in its designing and realization. The basic function of marketing is getting information about the size, structure and other dimensions for the necessities of the consumers, but also plays a key role within the determination of

quality and its standardization in the quality development, as well as the building of a system for an integral quality management.

Marketing activities are (Feigenbaum, 2002):

- collecting and processing of data for the market and the power of consumers according to the defined standards for quality within the organization;
- participation within the qualitative and quantitative fitting of information into standards, normative and indicators that ought to be measured and precisely expressed;
- determining the distribution channels for products / services in order to fulfill the exact requirements of the purchasers as well as realization of the JIT (Just in Time) policy.

The marketing team should recognize potential buyers through mechanisms for contacts and also should be able to get some specific info (Wong, 2000).

Above all, the information needs to refer to (Oakland, 2003):

- the range and the characteristics of the consumers' needs; the abilities of the company to fulfill those needs to a defined quality level, as well as the limitations and the upcoming issues on the way;
- what the competitive side offers, what is their advantage and what are their abilities and weaknesses;
- rationalizing of the system of information through suggestions and decisions in order to increase the advantage regarding the competition, as well as revitalizing of flows.

Fitting the marketing information into (Cepujonska, 2009) measurable indicators and standards is quite necessary in order to fulfill the demands, but also there is a need of a platform for understanding and cooperation with the other sectors and services within this organization. Therefore, the development of those indicators and standards enables a measuring and following of the accomplished quality, reaching an acceptable level of quality in all sectors, as well as removing of all the defects and futilities.

Collecting data for consumers' contentment regarding quality of products / services should indicate what companies need to undertake in order to improve the level of contentment. Complaints, questionnaires, debates, and interference in the design are main indicators.

All of the aforementioned statements open dilemmas such as:

- whether Macedonian companies are prepared to place themselves at the global market;
- are they able to create values and build business culture as a response of the development of the competitiveness and fast adaptation of needs and desires of the consumers;
- whether they have built a system of measurement of contentment by setting measurable dynamic standards;
- whether they are prepared to accept the TQM philosophy.

### **3. Methodology**



The analysis in this paper is a segment of the general survey of the current situation in Macedonian companies in the field of design and implementation of quality system, analyzed through the four pillars of the house of quality at which tip is the top management, and at its basics are measurement, evaluation, analysis and comparison of quality /low quality (Mitreva, 2011). The house of quality holds four subsystems: internal standards, methods and techniques non-defect work, education and motivation and cost analysis of quality.

The current situation is analyzed through the criteria for getting the European Quality Award: leadership, policy and strategy, management staff, resources, processes, buyer satisfaction /customer, employee satisfaction, impact on society, business results. Macedonian companies were evaluated through these criteria as they competed for the European Quality Award.

Particular attention is paid to the collection of input data in the survey. Studies are done with a questionnaire sheet and custom views of the real situation in Macedonian companies. Analysis of the findings made by the algorithm for evaluating and determining the "age", i.e. the development of Macedonian companies at the pillars of the house of quality (from young and underdeveloped systems to mature and developed system, and in reverse order) and the perception of deviations subsystems of the TQM system, through the symptoms of "health" of the quality system. Pareto analysis is used for frequency analysis and participation of individual responses.

151 Macedonian companies from different economic sectors participated in this research, and to be more representative the survey accounted for the size of company, headquarters (city) and economic activity.

#### 4. Results and Discussion

One of the criteria for receiving the EQA (European Quality Award) is the way the company managed effectively and efficiently with suppliers and raw materials and builds business relationships.

Our research pointed to poor cooperation with suppliers, lack of nurturing business relationships, lack of mutual trust and respect and so on.

Asked whether their company requires specification of the quality of incoming materials, *only 31% of the surveyed companies are always looking for specifications on the quality of incoming materials, and not only when doubting the quality.*

The business partnership between companies and suppliers requires confidence and adequate integration in terms of generating improvements and development of new values.

Asked of the way the supplier of input materials in their company is selected, the data show that the respondents:

- 92% of them, *the choice of supplier is made on the basis of quality, delivery date, price and reliability of the material supplied, contradicting the previous answers, where only 31% of them said they always require the specification of material they buy.* If the quality of incoming materials is not defined, it cannot be said that good business relations with suppliers exist;
- 8% of respondents said the choice is made on the one that will offer only quality products.

In terms of building cooperation with suppliers, the data suggests:

- 79 respondents, or 52.3%, *have reported to have long-term cooperation with suppliers* and nurture partnerships with them;
- 34 of them, or 22.5% that providers treat them as a reserve option, building uncertainty and discontinuity in the quality of the business cooperation;
- 27 of them, or 17.9% are in constant search for new suppliers, not taking into account the building good relationships with existing ones, to foster cooperation and to engage in all activities towards the improvement of the business results of the company;
- 11 of them, or 7.3%, *they show distrust towards relationships*.

*The provision of materials and spare parts for the companies is often the main source of problems with quality of products.* The quality of the products will depend largely on the quality of materials offered by the supplier, thus building partnership with them is necessary. The supplier should be treated as an introduction to the manufacturing process and many authors all share the common opinion about the necessity of building partnership relations with suppliers as well as their motivation for the necessity of fulfilling the expectations of customers.

Steps such as timely delivery of raw materials without defects, can greatly improve the quality of products as *"the first pad"* to provide good quality to the end customer and forming teams to improve the quality of its products and services in which the providers of materials are also participating.

To this purpose we analyzed the suppliers of the Macedonian companies in terms of whether if they apply methods and techniques of quality in their companies and if they guarantee the quality they deliver to the customer.

The methods and techniques for providing quality are instruments for implementing activities to improve quality and are an integral part of quality management according to defined policy objectives and responsibilities of the company, and create comparative advantages in the market.

To come to the conclusion whether the suppliers of Macedonian companies have established effective control processes in achieving the defined quality at the lowest cost of operation, the question was asked: What controls the quality of products / services practice?

- 113 suppliers *are reported to have quality control*;
- 48 suppliers apply *linear control*;
- 107 of them *have 100% control*;
- 29 apply *statistical process control*;
- providers in 137 suppliers *have 5 - 15% of their daily production returned for finishing*.

Macedonian companies have unenviable product quality level due to poor management of business processes, ineffective control, with a % of defects even greater than allowed. Technical and technological equipment of Macedonian companies is close to a satisfactory level and to some extent satisfies current requirements of customers /users. *The problems stem mainly comes from poorly organized business processes and inability to meet required quality standards.* Here, the same technology

creates lower realization business results. The reasons are not only lack in modern technology but also in weak managerial skills of managers, insufficient qualifications and fulfillment of employees, the quality of running the business processes. The linear forms of running the company (in certain stages), are mainly applied, and are known for higher costs of operation. Due to lack of access to statistical data processing, quality assessment and transfer of information, our companies are facing a lot of problems in the performance of domestic and foreign markets.

This paper also presents an analysis regarding the condition of Macedonian companies through one of the criteria for receiving a European Quality Award: measurement of the contentment and the manner of gaining data for their desires and needs (Mitrevva, 2011).

In order to assure whether selected companies have collected and processed the data for the market and the power of consumers according to the defined standards for quality within the organization, the following question is: *how the companies are informed regarding the needs of their customers?*

- 60% of the respondents answered that they become informed *through sales/ offer analysis*;
- 20% of them become informed through *analysis of a questionnaire*;
- 3% of them *do not take this question into account*;
- 17% of them have listed other issues, such as *direct contact with the consumers and searching for an optimal and acceptable solutions*.

The weak interaction between the costumers and the service providers is an alarming fact, since it refers to the weak function of the marketing services. The nonexistence or the malfunctioning marketing services of the Macedonian companies deprives them from acknowledging this fact and providing the market needs. Therefore their adjustment towards for fulfilling them is question as well.

*Following the question oriented towards the Macedonian companies whether they have any demands on behalf of the consumers upon they are unable to respond to, the following data has been obtained.*

- 59% of the respondents answered that they *can entirely respond to the consumers' needs*;
- 41% of the respondents answered that they *are unable to do it*.

The reasons refer to the lack of technical support and unreal demands of the consumers, as well as requests for deadlines and deliveries that are shorter than the optimal.

Macedonian companies use questionnaires, direct interviews, participation of the *consumers* into working teams, counseling, etc. This is in order to measure the content or discontent regarding their products in a very small portion. The data gained by answering the question about *how do the companies get informed that their products/ services do not fulfill the expectations of the consumers, is as follows:*

- 35.7% of the respondents have announced that they get the *info from the complaints*;
- 23.8% of the respondents have announced that they get the *info from their profit* (depending upon whether it is reduced or increased);

- 16.7% of the respondents have announced that they get the *info* through the *analysis of a conducted questionnaire*;
- 14% of the respondents have announced that they get the *info* from *reports done by the service for quality control*;
- 4.7% of the respondents have announced that they get the *info* from *following the competition* and
- 4.7% of them *have claimed other, i.e. the direct contact with the consumers helps them reveal whether their expectations have been fulfilled or not.*

Those results have shown a weak usage of the questionnaires in order to measure the level of content or discontent. In order to improve its products/ services, it is the most important for the company to interpret correctly the well-intentioned objections or complaints from the consumers and to practice a continuous tracking of their contentment that would result into a priceless source of information for business analysis as well as their managing.

In order for a company to be successful into gaining info regarding its position and the position of its products on the market, it is necessary to collect and adequately value the data and the parameters of the consumers in several terms. This regards the companies' products/ services, consumers' experience and expectations from the product/ service, their level of content and the usage of products.

In order to foresee the efforts of Macedonian companies regarding the contentment of consumers through improvement of the business processes, product/ service etc, the following question was raised: ***have they introduced some improvements of the processes of business or changes that would significantly influence the content increase and therefore the increase of the business results during those last years? Here is the data:***

- 34.3% of the respondents have announced that they have introduced new technology;
- 31.4% of the respondents have *introduced new products/ services*;
- 17.1% of the respondents have *realized improvement of the marketing concepts and strategies*;
- 14.3% have made significant improvement of the business processes or organizational methods;
- 2.8% have claimed that the most influential step taken was their proactive reaction within the working of the companies.

*The problems within each Macedonian company origin from its weak marketing approach (only 17% of them have accomplished an improvement of marketing concepts and strategies), incorrectly organized business processes (only 14% have made a significant improvement of the business processes or organizational methods) as well as from the inability to fulfill the demanded quality standards.*

The reasons of the bad competitive level of Macedonian companies are not only a shortage of modern technology but poor abilities of the managers, qualifications and the fulfillment of the employees, quality for dealing with business processes, no habit to listen the consumers comments, desires etc.

The requests for high quality of products/ services impose not only a supply of new equipment but

*adjusting the desires of the consumers into real standards, too.* In this way, the priority is given to the consumers' needs gained at each useful source of information and then methodically analyzed and processed into details that would help the design and improvement of processes, all in order to meet the necessities.

The competitive advantage of the Macedonian companies is being presented through their ability to meet the needs and desires at a faster pace than the competitive side. In order to gain that, the company needs to be exposed to learning and to implement the knowledge which would present a fluid mixture of different experiences, values and information in order to have an expertise inspection which would enable the evaluation as well as accepting of the new knowledge and information.

## 5. Conclusion

Analyzing the results of the survey we come to the conclusion of the need of Macedonian companies for the management of suppliers due to market pressure on the as the main driving force, which will lead to: increasing the ability to work and compete on the market, the need for expansion and maintenance of existing markets, increasing the satisfaction of customers / users, suppliers and improving marketing activities.

Lately there are more businessmen and managers of private companies who want to be able to operate with international standards and strategic connections in the West. To maintain the global market, Macedonian companies must make every effort in products / services that are competitive in the market and which most meet and exceed the needs of customers / users.

To achieve sustainable development, Macedonian companies should be exempt from building criteria for selection of suppliers and proactively focus on developing long-term relationships with clients, providing technical support for training to improve processes, product quality and productivity of providers.

The application of TQM strategy in companies in the world means to manage the company's suppliers together to identify problems, optimize inventory, to reduce and recycle waste, to conserve the global non-renewable sources versus the previous case with the design and implementation of ISO 9001 : 2008 standard, where the selection is performed and documented according to specific criteria, activities and other specified requirements arising from the ISO 9001 standard, given in the kind of question.

According to gained results and the aforementioned goals of the research, it has been confirmed that the Macedonian companies do not take proper care for product/ service quality, insufficiently pay attention to consumers, do not practice continuous education, as well as make poor innovational investment. Also, there are a small number of companies that actually have built a quality system, have paid sufficient attention towards the employees, the delivering team and the communities. There is also a lack of usage of SPC (Statistical Process Control) and the teamwork has been considered as a step back to the past. In one word, **TQM philosophy** is unknown in Macedonia (Mitrev, 2011).

In order to implement the TQM strategy, it is necessary to invest in education and trainings of the employees, reengineering of the business processes as well as a permanent improvement of the quality system. Strong competition can be survived only by those who are well organized, who own qualified

working capital, those that invest into education and training of employees, who invest into improvement of the business processes and the organization innovativeness. Modern market conditions, besides fulfilling the desires and needs, impose an analysis of the position of competitive sides and their strategy.

Marketing activities within the companies should orient towards enrichment of the assortment and product/ service quality, determined position on the market and gaining better cooperation with foreign partners. The way that leads towards improvement of quality of processes and services at domestic companies should be sought into *the application of adequate methodology for designing and implementing the TQM system* (Mitrevva, 2011).

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